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UNCLAS SECTION 01 OF 02 ABU DHABI 001432

SENSITIVE
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STATE FOR NEA/ARP, T (MHUMPHREY) AND EEB

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TAGS: [ENRG](#) [TRGY](#) [BEXP](#) [BTIO](#) [ECON](#) [EFIN](#) [PGOV](#) [AE](#)
SUBJECT: UAE NUCLEAR PLANS

REFS: A) STATE 127423
B) STATE 111186
C) ABU DHABI 1086
D) ABU DHABI 397
E) ABU DHABI 371
F) ABU DHABI 299
G) ABU DHABI 45

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¶1. (SBU) The United Arab Emirates is rapidly pursuing a civilian nuclear power project that is expected to come online in 2017 and ultimately may include as many as ten nuclear plants valued at over \$50 billion. Although the program is being developed by and initially for the Emirate of Abu Dhabi, the UAEG is currently developing the necessary legal and organizational infrastructure to meet these targets. The UAE is actively discussing its plans and opportunities for cooperation with the IAEA, NSG and foreign governments, including the United States (refs B-G). The extent of the opportunities for cooperation with the United States will depend largely on the status of a Section 123 Agreement, although a MOU for nuclear cooperation was signed in April 2008.

¶2. (U) The responses below are keyed to Ref A questions:

OVERVIEW -----

-- Following its analysis of projected energy needs through 2020, the UAE Government began to evaluate the development of peaceful nuclear power to meet its long-term energy needs. In April 2008, the United Arab Emirates released a white paper entitled, "Policy of the United Arab Emirates on the Evaluation and Potential Development of Peaceful Nuclear Energy." (Complete text online at: http://www.mofa.gov.ae/pdf/UAE_Policy_Nuclear_Energy_ENGLISH_E.pdf.) Since then, the UAE has moved rapidly forward with its plans to develop nuclear power. The Emirates Nuclear Energy Corporation (ENEC), currently under formation, awarded the U.S. firm CH2MHill a ten-year managing agent contract for the nuclear energy program in October.

-- The UAE's interest in developing nuclear energy is motivated by the need for additional sources of electricity to meet future demand projections and to ensure the continued rapid development of its economy. UAEG analysis concluded that national annual peak demand is likely to rise more than 9 percent annually from 2007 to peak at 40,000 megawatts by 2020. It is expected that peaceful nuclear power will meet 20-25 percent of this demand.

ENEC, a civilian, publicly held entity, was established with a capitalization of approximately \$100 million. The program's future costs are likely to be funded through commercial project finance, depending on applicable financing terms. Ultimately power will be produced in the Emirate of Abu Dhabi and sold to UAE electricity providers, such as the Abu Dhabi Water and Electricity Authority.

In August 2008, the UAE made a \$10 million donation to the Global Nuclear Fuel Bank.

-- Key Decision Makers:

- Mohammed Al Hammadi, CEO, Emirates Nuclear Energy Corporation (ENEC, under formation)
- Hamad Al Kaabi, MFA Special Representative for International Nuclear Cooperation and UAE Permanent Representative to the IAEA
- Khaldoon Al Mubarak, Chairman, Executive Affairs Authority (EAA)
- David Scott, Director of Economic Affairs, EAA
- William Travers, Director General-designate, Federal Authority for Nuclear Regulation (FANR, under formation)

-- The UAE is in the process of establishing the Federal Authority for Nuclear Regulation (FANR). Its authority will be delineated in the UAE's nuclear law, which is currently being drafted.

-- Once the draft nuclear law is passed, the UAE will finalize a nuclear liability law and conclude the following nuclear liability commitments:

- IAEA Vienna Convention on Civil Liability for Nuclear Damage
- IAEA Protocol to Amend the Vienna Convention on Civil Liability
- IAEA Joint Protocol on the Application of the Vienna and Paris Conventions
- IAEA Convention on Supplementary Compensation for Nuclear Damage

-- As this is a new industry for the UAE, initially most products

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and services are likely to be imported.

-- The UAE workforce has few individuals with nuclear expertise. As 80-90 percent of the work force is foreign, similar statistics are likely to apply to the nuclear industry. The UAEG broadly seeks to provide nationals with education, training and expertise that would qualify them for employment, particularly in knowledge-intensive sectors.

OPPORTUNITIES FOR U.S. INDUSTRY

-- Technology tenders are likely to be awarded in 2009. Major U.S. firms with nuclear expertise are expected to be interested in the project, including GE (with Hitachi) and Westinghouse (with Mitsubishi).

-- Pending the finalization of a Section 123 agreement between the U.S. and the UAE, U.S. firms are likely to be competitive for all major tenders related to the UAE's nuclear program.

-- The UAE has signed nuclear-related contracts with the U.S. firms Ch2MHill and Thorium Power. Among the many foreign firms believed to be interested in the project are France's Areva, Total, and Suez and Japan's Mitsubishi, Hitachi and Toshiba. Major U.S. construction firms (such as Bechtel, Flour, etc.) and their foreign competitors may bid on related tenders.

FOREIGN COMPETITORS

-- Many foreign companies and governments are interested in the UAE's nuclear program, the total cost of which could exceed \$50 billion. The UAE is pursuing cooperative agreements with most of the major nuclear powers. Agreements have been completed with the United States (April 2008 MOU), United Kingdom (May 2008 MOU), France (January 2008 agreement). Discussions are ongoing with Japan and South Korea, as well as Germany, Russia and China.

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